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A STAFF REPORT

TO THE

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FOREWORD

The West African countries of Liberia and Ghana present some important policy questions for the United States.

On April 12, 1980, Master Sergeant Samuel K. Doe and a few cohorts overturned the Government of Liberia by killing President William Tolbert and a number of his associates. After the initial upheaval, however, the violence did not spread. Since that time the new leaders have been trying to come to grips with the responsibilities of running a government and proving that they have brought a change for the better.

The United States Government, first under the Carter Administration and now under the Reagan Administration, has stated an intention to support the new government. The United States has lent not only its prestige but its resources at levels significantly greater than had previously been the case.

Because of the political and budgetary concerns associated with this increased U.S. commitment, committee staff members Alison Rosenberg and David Lawther Johnson traveled to Liberia in August 1981 for an independent assessment of developments since the coup and prospects for the future. Their report, contained herein, was originally submitted to the committee on November 24, 1981.

The staff members also traveled to Ghana, which is a textbook example of the overwhelming challenges to political stability and economic development now facing many African states. Ghana's poor economic performance for close to two decades raises difficult questions for donor countries regarding the most appropriate means for contributing to the economic development of a friendly government. Further, the small level of aid which the United States provides to Ghana presents the challenge of devising ways to maximize our leverage to encourage economic reform.

Extensive meetings were held with U.S. Embassy officials and with key officials of the government of then President Hilla Limann, including the Minister of Finance and Economic Planning, the Governor of the National Bank, the Chairman of the Council of Ministers, and the permanent secretaries of the various domestic ministries.

On the first day of 1982, Limann was overthrown by former Flight Lieutenant Jerry Rawlings—the same man who had staged a coup in 1979 and then yielded power to the Limann government 4 months later. Specific references to the Limann government in the staff report, originally submitted on March 9, 1982, are still relevant to a discussion of continuing economic and political crises facing the new government.

The final section of the Ghana report contains a general discussion of development activities in Africa. It is based on information gathered not only in Ghana but in other countries visited by committee staff in August 1981.

CHARLES H. PERCY,
Chairman.

CLAIBORNE PELL,
Ranking Minority Member.

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Post-Coup Liberia

The United States has a number of interests in Liberia, both tangible and intangible.

SECURITY INTERESTS

The Port of Monrovia and Roberts International Airfield, built by the United States during and after World War II, are located along the Atlantic coast. The United States enjoys access which probably would be difficult to duplicate elsewhere in Africa.

Our defense agreements with Liberia offer a vehicle for protecting our interests and limit the opportunity for other governments to provide training for Liberian soldiers.

PHYSICAL ASSETS

A large and important U.S. telecommunications operation is located in Liberia (details are classified). Because of the political sensitivity of the facility, it is unlikely that it could be relocated elsewhere in Africa. In any event, the transfer would cost millions and take several years.

A Voice of America relay station transmits all of VOA's programming to sub-Saharan Africa. The facility is comprised of several buildings and a great number of large antennas spread over 1,600 acres. For technical reasons a West African location is necessary. If an alternative West African location could be found, the transfer would take several years and over a half-billion dollars.

The Omega Navigational Station, located on 700 acres, is part of a global network of eight stations benefitting ships and airplanes from every country. The 1,400-foot tower is thought to be the tallest structure on the African continent. It is secured by guy wires radiating out from its top to the ground in a circle one-half mile across and 3½ miles in circumference.

ECONOMIC INTERESTS

United States-Liberian economic relations, while not of crucial economic importance to us, are vital to that country.

U.S. investment, less than .5 percent of total U.S. foreign investment, comprises about half the total foreign investment in Liberia. Most of it has been concentrated in rubber and iron ore production. Liberia's share of U.S. worldwide trade is insignificant, but the United States has been Liberia's leading trading partner. One-third of Liberia's flag-of-convenience shipping fleet, the largest in the world, is comprised of U.S.-owned tankers and bulk carriers; this represents 75 percent of U.S.-owned shipping. Liberian registration offers the economic benefits of low taxes and relatively low labor costs.

UNITED STATES-LIBERIAN "SPECIAL RELATIONSHIP" AND AMERICAN PRESTIGE

Liberia, an independent republic since 1847, was founded by freed slaves from the United States who called themselves Americo-Liberians. The two nations have maintained close political, cultural, and economic ties. The American dollar is the official Liberian currency. Many Liberians have studied in the United States. Government leaders, both pre- and post-coup, have turned first to us for assistance and guidance. American officials have enjoyed easy entree at the highest echelons of the Liberian Government.

This special status has cost us very little in terms of financial expenditures. Foreign aid to Liberia for 8 years prior to the coup averaged less than $11 million yearly and never exceeded $20 million. (It is noteworthy that just across the street from a modern multi-story building in downtown Monrovia proudly identifying itself as the USAID mission is a row of shabby structures occupied by Liberians.) It is fair to say that in the eyes of other African and Western governments, Liberia's well-being is an American responsibility.

PROBLEMS

The fledgling government faces serious challenges in many areas.

THE ECONOMY

The country faces an economic crisis which can be expected to continue for the foreseeable future.

In fairness to the new regime, the economy has been deteriorating over the last 5 years. In 1976 the government launched a 4-year development program and committed itself to hosting the Organization of African Unity summit in 1979. In 1977, the world price of iron ore—Liberia's principal export—began to decline dramatically.[1] Expenditures for development projects and OAU preparations were allowed to rise significantly over planned budget amounts. At the same time, the country continued to face increasing costs for oil and other imports.

The coup greatly exacerbated the existing economic problems and introduced new ones. Business confidence, already shaken by riots which erupted in April 1979 in response to announced increases in the price of rice, was virtually shattered. Post-coup hoarding of currency and capital flight led to a shrinkage of the deposit base of the banking system by as much as one-fourth. The country's ability to obtain commercial credit was reduced, leading to a decline in imports and a resulting serious decline in customs revenues (about one-third of total government revenues come from import surcharges). At the same time, the government promised such improvements as a doubling of the minimum wages for soldiers and government workers, translating into $30 million yearly in increased government ex-

[1] The iron ore market is not expected to improve in the near term because of the poor condition of the world steel industry. In August 1981 LAMCO (Liberian-American Swedish Minerals Company), which accounts for about half of Liberia's production and is thought to be the healthiest of all the mining operations in the country, considered closing. This would have had a serious impact on the economy because of the resulting reduction of capital flows into the country, the loss of corporate taxes and worker's income taxes to the government, and other ripple effects. Subsequently, LAMCO decided to remain open.

penditures. (Since then, an enforced savings bond program has been introduced, which should offset a good amount of these costs.) It also committed itself to a barracks building program thought to be crucial for maintaining the support of the military.

Many businesses closed down marginally profitable operations, halted planned expansion, and otherwise acted to protect themselves. Since traditionally 60 percent of government revenues come from taxes on income, profits, and trade, revenues fell markedly. In response, the inexperienced new government undertook such harmful budgetary practices as raising duties, royalties, and other charges against businesses—in essence, as one expert put it, "collecting more and more on less and less"—and further eroding business confidence.

At the urging of the IMF, the government has asked for outside advisors to evaluate and improve their customs operations. However, lack of management expertise is a problem which pervades all sectors of the government. Many cabinet ministers are college educated—some in the United States—but have not had government experience. Most of the members of the governing People's Redemption Council (PRC) lack not only experience but even a high school education.

One of the most serious threats to economic stability since the coup has been harassment by government officials of businessmen (both expatriate and native). Stories abound of attempts at financial extortion, interference with hiring practices, and threats of physical abuse. There has recently been a greater understanding by the government of the importance of the problem—due in large part to efforts by U.S. officials. The government has begun to meet with businessmen and foreign diplomats to receive their complaints. Further efforts have been promised. Businessmen welcomed the demise in August 1981 of Vice Head of State Thomas Weh Syen, one of those most guilty of harassment.

Liberia's economic problems will not begin to turn around until it regains the confidence of the business and financial communities. The essence of the dilemma facing the government is that to earn this confidence, it will have to pursue a program of fiscal austerity which flies in the face of post-coup expectations for more jobs, better prices, and other benefits. As a worried cabinet minister told us, "The people expect us to deliver."

THE MILITARY

The 5,500-man Liberian military is sorely deficient in training, discipline, command and control, and communications. A gruesome illustration of the army's ineffectiveness was the fact that during the executions following Tolbert's overthrow, the soldiers were such poor shots that the victims had to be tied to stakes and fired at from point-blank range before the killers could successfully carry out their task.

U.S. training teams have brought about some dramatic improvements in a relatively short period of time, but fundamental changes still need to be made. Even when improvements have been achieved, the long-term positive effect of the U.S. advisors has been somewhat diminished because the teams are assigned only on a temporary basis. It has been the U.S. experience that the departure of a temporary training team, and the removal of someone in an oversight capacity

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has brought a significant erosion of discipline and recently-acquired skills in the Liberian army.

Another serious military problem is the deplorable housing for the soldiers. Indeed, the squalid, rotting tin shacks (which house only about 60 percent of the army and their families) do not at all conform to our notion of standard military housing. In the weeks following the coup, Sgt. Doe was fond of showing visitors the roofless, filthy, decaying structure he and his family had been forced to live in—a vivid symbol of the inequities of the Tolbert regime.

Doe needs the support of the military to stay in power, and improved housing for the soldiers must be provided to keep their support. The United States is providing funds for military housing primarily at Camp Scheiffelin, to be built by the Liberian Engineer Battalion with training and assistance of U.S. military personnel. The housing program is projected to be carried out through fiscal year 1985. While this is an important improvement, housing needs will remain at the four other Liberian military camps.

EXTERNAL PRESSURES

The Soviets and the Libyans—especially in the early months following the coup—saw fertile ground in Liberia. The Soviets, directly and through their Cuban and Ethiopian surrogates, have attempted to establish a relationship with the Liberians, primarily in the area of military assistance. So far, however, the Liberian response has been marked with skepticism, probably due in part to U.S. sensitivities. Doe has also ordered the Soviet diplomatic presence reduced from 15 to 9.

In 1980 Liberian and Libyan officials visited each other's capitals. There were even rumors of suitcases of cash being offered as signs of Libyan goodwill. Since then, Doe has ordered the Libyan "People's Bureau" closed, but construction of a Libyan-financed office building, conspicuously located in downtown Monrovia, continues.

There have been reports of some initial diplomatic contact with the PLO, but the Liberians seemed disinclined to pursue a relationship which could damage their relations with the West.

With regard to a very recent development, it is significant that among the mourners at President Sadat's funeral was Liberia's Chief of State Samuel Doe. To some extent this may have been a gesture of gratitude for the fact that some emergency U.S. aid provided to Liberia earlier this year had been borrowed from the Egypt and Israel accounts. But in terms of the politics of the Middle East, his presence surely has significance for future relations between Liberia and Libya or the PLO.

On the other hand, the very fact that Liberia's financial and technical needs are so great points to the likelihood that Libya and the others will continue to try to entice the Liberians with offers of assistance to gain influence with the government.

THE GOVERNMENT

Finally, while the government has come a long way since the early days after the coup, the potential for future instability is significant. To Doe's credit, it is generally acknowledged that he has learned a

great deal in a short period of time and understands the need to strengthen the operations of the government and begin to restore business confidence. He has for the most part been willing to accept guidance. However, he is still capable of taking drastic actions without, or in spite of, advice from his U.S. friends. For example, in mid-August 1981, Doe announced that he had uncovered a Libyan- and Soviet-backed coup plot, and within the space of a few days arrested several members of his own government, and had them tried in a closed military tribunal and then executed. U.S. representatives had made an intensive effort to impress on Doe the importance of due process for the accused, but the executions were carried out anyway. The United States still has no hard evidence of an organized coup plot, with or without foreign backing. Actually, those executed were among the most inept and disliked members of the government, including leftist-oriented Vice Head of State Thomas Weh Syen. Their deaths reportedly brought a generally favorable popular reaction. However, the sobering reality for the United States is that in spite of the "special relationship" we enjoy with the Liberians, the Americans were not able to prevail in a matter involving one of the most fundamental tenets of our value system.

The relationship between Doe and the PRC and the members of the cabinet appears to be another potential area of vulnerability for the government. The members of the cabinet are generally better educated and more experienced politically than the PRC members. For example, Baccus Matthews, Foreign Minister until November 1981, is an articulate graduate of the City College of New York and was a leading opponent of Tolbert prior to the coup. He is considered a likely presidential candidate when the government returns to civilian rule. Although Matthews was in jail awaiting a treason trial and probable execution at the time of the coup, he probably never knew Doe and certainly never expected him to take the reins of government. As opposed to Doe's more distinctly anti-Communist sentiments, Matthews favors greater nonalignment in Liberia's foreign affairs. He opposed the closure of the Libyan diplomatic headquarters and the reduction of the number of Soviet diplomats on the grounds that these actions were not in keeping with the spirit of nonalignment. Perhaps because of his very visible opposition on certain issues, plus a certain amount of personal rivalry between the two figures, Matthews was fired by Doe.

From our discussions we got the sense that Doe and the PRC often made decisions on matters coming under the jurisdiction of the cabinet departments without involving the appropriate ministers. If over time the cabinet members conclude that they are being systematically excluded from any meaningful role in the government, or if they feel that the process toward civilian government and open elections is being slowed, they could be tempted into openly opposing the government.

Favorable Developments

In the face of these problems, there are a number of factors favorable to the United States.

1. The government so far seems to enjoy a good degree of popular support, as opposed to the Tolbert regime. Tolbert was viewed by the disenfranchised indigenous majority as corrupt and uninterested in

their needs. When his government announced price increases for rice in April 1979, riots errupted in the capital of Monrovia. By stark contrast, in July of 1981 when the Doe government announced (at IMF urging) not only rice price increases but tax increases, popular reaction seemed limited to a certain amount of grumbling. Doe has called for further sacrifices to allow the rebuilding of the economy. One must conclude that the population has been so tolerant because they believe they will eventually share in the benefits.

2. The new leadership looks first to the United States for help and as a model for their own system. Even though hatred of Tolbert resulted in a bloody end for his government, that resentment apparently does not carry over to the United States in spite of our association with the Tolbert regime. Almost immediately after the coup, U.S. diplomats were called in by the new leaders for counsel and aid.

3. U.S. officials enjoy a close working relationship with key Liberian officials. Some actually have offices in government ministries and the Liberians have requested additional advisors.

4. In recent months Doe has taken steps to reassure the international community and to achieve better control over his government. Some examples: he has removed several of the most disreputable members of the PRC and the cabinet, replacing them with better qualified—and more loyal—people; he has released almost all political prisoners, including some important former associates of Tolbert; and he has authorized discreet representations to some prominent Americo-Liberians who fled the country in the hope of convincing them to return.

5. The Doe regime has gained the acceptance of the other countries of Africa. Most members of the Organization of African Unity, offended by the mass public executions of Tolbert and other important Liberians and—probably more important—concerned about the vulnerability of their own governments to a similar kind of takeover, at first shunned the new government. The regime was finally accepted legitimate at the OAU annual summit in July 1980. Clearly the overwhelming interest of Liberia's neighbors is the promotion of stability in that country and in the region.

6. The Liberian economy is tied to the U.S. dollar. Except for some Liberian coins, the legal tender is U.S. currency. This means that Liberia is not able to print money to try to cover their economic needs, thereby discouraging wantonly irresponsible economic measures. Post-coup Liberian assurances that the dollar will continue to be used will no doubt contribute to private-sector confidence.

The United States has been using Economic Support Fund (ESF) money to pay for Liberia's oil imports by depositing dollars in an account which the Liberian central bank maintains in a New York commercial bank. When the Liberian refiner importing the oil has sold the refined product in the country, the proceeds are deposited in the banking system in Liberia and can be used to meet obligations in the country. In a sense, double benefits from use of the dollar is thereby achieved.

7. The country's economy has had a relatively free capitalistic tradition, which is important to investor confidence. Furthermore, some experts believe that there could be a real resilience to the economy because it is so open.

8. The government has regained the backing of the International Monetary Fund—crucial for obtaining commerical financing. In late fall of 1980, Liberia's borrowing to meet its financial needs had exceeded the limits stipulated by the IMF and prevented any further drawing against the $70 million remaining in a $90 million standby agreement. Since then, however, the government has made certain commitments to curb spending and increase revenues, thereby gaining approval for a new 1-year standby agreement of approximately $65 million. In July 1981, Doe delivered a nationwide address, key to gaining IMF support, which announced a new income tax and the elimination of ceilings on rice prices. The IMF has also taken the highly unusual step of assigning a permanent resident advisor to the country.

9. Doe has several times announced his intention to return the government to civilian rule (on one occasion he stated a target date of 1983). A constitutional commission has been appointed; they have received some operating funds and have been made immune from prosecution.

Conclusions

1. Tangible U.S. interests in Liberia—our airfield and port access rights, our defense agreements, and the very conspicuous communications facilities—have real value and would truly be difficult to duplicate elsewhere in Africa (because of their political sensitivity). Staff has reached this conclusion after initial skepticism over the value of these assets.

2. However, the most overriding importance of Liberia to America stems from the "special relationship" which has existed between us for well over a century. Liberia was founded by freed American slaves in 1822. The "special relationship" really means a special responsibility for the United States. Like it or not, post-coup Liberia's fortunes will be seen internationally as an American success or failure and a measure of U.S. reliability or unreliability as a source of support for friendly countries.

3. This being said, the still-tenuous stability of the new government and the budgetary restraints we face domestically dictate that we must take care not to raise false expectations in Liberia about what the United States can deliver. In the same vein, the United States should be open to discussions with the Liberian Government about the need for supplementary assistance from other countries.

4. We should not expect miracles from our economic assistance. There is much evidence to support the prediction of many experts that current trends point in the foreseeable future to a continued contraction of the country's economic base and a stabilizing at a lower level. Given Liberia's post-coup shrunken currency base, depressed world prices for their principal exports of iron ore and rubber, high oil-import prices, and the efforts which must be made to restore shattered private-sector confidence, a difficult road lies ahead. Much of our economic assistance will have to continue to be used to help ease their liquidity crisis.

5. Diversification of the economy will be needed in the long term. Consideration should be given to developing a capacity for domestic production of goods which must now be imported, with emphasis on those goods which can be produced in small manufacturing operations.

The expansion of tropical industries such as timber, coffee, cocoa, and rubber should also be considered. In the first three cases, proper management is crucial and outside assistance will probably be necessary. With regard to rubber, although the current world price is depressed, many in the industry believe that in the long term the Liberian industry will be profitable. Efforts should also be made to reduce oil import bills by seeking sources closer than Saudi Arabia, their current main supplier. Truly dramatic economic gains could result from the development of oil reserves and hydroelectric power potential, but these will depend on the outcome of feasibility studies now underway.

6. The Doe government has made great strides since the coup in its efforts to strengthen its leadership capability and to regain the confidence of the private sector and the international community. However, it is still new and vulnerable enough so that any of a number of pressures, both internal and external, could lead to its unraveling. Members of the government, either in the governing People's Redemption Council or among the better-educated members of the cabinet, who disagree with Doe's policies or who feel frozen out of the decisionmaking process, represent a potential threat to Doe's rule. The military, from whose ranks came the perpetrators of the coup, must be satisfied that the new government is responding to their needs. The general populace, while apparently willing for now to accept certain sacrifices which the government has said are necessary for economic recovery, must eventually realize some benefits. Finally, it is only prudent to assume that outside governments and groups will continue to seek opportunities to undermine American influence in Liberia. For example, given Liberia's urgent economic needs, a government which can easily offer significant financial assistance (such as Libya's) will continue to be a potential threat to American interests.

7. While pro-American tendencies in Liberia still thrive, there are limits even now to U.S. influence. From its earliest days, the new government has sought American advice as well as material help, and has heeded our guidance to a significant degree. However, the hasty closed-door trials and executions of several members of his government, in spite of U.S. entreaties to Head of State Doe about the need for due process, provide a sobering lesson for us. Furthermore, it is fair to say that Doe is the most unreservedly pro-American member of the Liberian Government. A change in government leadership, through elections or other means, could bring a change in the United States-Liberian relationship.

8. For the Doe government to survive, it needs the support of the military, and U.S. assistance is crucial to earning that support. The miserable living conditions of most of the Liberian army, a factor which contributed to Tolbert's demise, should be improved on a high-priority basis. The Administration has wisely approved participation in a barracks building program. Current plans will allow the construction of most of the military housing needed at Camp Scheiffelin in a couple of years and a possible start on the housing needs at one or more of the other five military camps. In view of both the real and symbolic importance of housing for the military, acceleration of the U.S.-aided barracks building program, to the extent possible given Liberia's economic situation, should be seriously considered. In this regard, one factor which would have to be taken into account is the

possible resentment that devoting additional resources to military housing would engender among the nonmilitary sectors of the population.

9. The deficiencies in the Liberian army's discipline and effectiveness justify a maximum U.S. effort to help improve the situation. An expanded and sustained U.S. training effort could yield significant results. American training personnel have been able to work with the Liberian military in achieving real improvements not only in the physical orderliness of the military camps, but also in discipline among the troops and in effectiveness of command and control. Since the military is a key element in Liberian society, and—as mentioned previously—is vital to the Doe government's survival, improvements in the military's effectiveness easily translates into improved government effectiveness. The report of the House Foreign Affairs Committee on the foreign assistance bill for fiscal year 1982 and 1983 states that the size (16 men) of the security assistance management team requested by the Administration is too large for the size of the U.S. security assistance program in Liberia. While it is true that smaller teams administer security assistance programs of comparable size in other countries, the functions performed by the personnel in Liberia go far beyond the normal administrative duties of a management team. The U.S. military mission in Liberia actually has an office in the Liberian defense ministry and is relied on heavily for guidance and technical assistance. While such a dependency has its risks, the reality is that the relationship exists and we should insure—especially during this post-coup period of adjustments—that the number of U.S. personnel is sufficient to meet the demands on their time and expertise.

10. While the Executive Branch has made a conscious commitment of significant support for the new Liberian Government, the Congress has not. In fairness, the Executive Branch has had to deal with many uncertainties about Liberia's needs and priorities, but there has been little effort to gain a consensus in Congress for a significantly expanded program in Liberia. The original request for Liberia for FY 1980 was $6.9 million; for FY 1982 the Administration contemplates providing more than ten times that amount. For FY 1979 through 1981, the majority of aid to Liberia was through reprogrammings, a process by which the aid does not get the usual amount of Congressional scrutiny. For FY 1982, the Administration plans to spend $80.6 million, which is $40.7 million over the amount contained in the request submitted to Congress; $25 million of it was to come from a new proposed $250 million ESF worldwide contingency fund. However, the Congress has authorized only $75 million for the fund for each fiscal year 1982 and 1983. (The fund proposal had previously been rejected by the Senate Foreign Relations Committee.) In spite of the then uncertain future of the contingency fund, the Administration informed the IMF that the United States would provide $80 million to Liberia for FY 1982, and the IMF has cited this level of aid as one reason for approval of a standby agreement for Liberia. Clearly, it is important for Congress to receive a comprehensive picture of the situation in Liberia and of the Administration's policies and programs, so that it can make an informed judgment about the appropriate level of U.S. support. Without a consensus in Congress—especially in these days of severe budgetary constraints—the Administration risks raising false expectations in Liberia and the U.S. risks compromising America's image as a reliable friend.

Republic of Liberia

Land: 43,000 square miles—20 percent agricultural, 30 percent jungle and swamps, 40 percent forested, 10 percent unclassified.

Population: 1.9 million. 5 percent descendants of freed American slaves, 95 percent indigenous African tribes. Average annual growth rate 3.1 percent.

Official language: English.

Per capita income: $480.

Literacy rate: 24 percent.

Religion: Probably more Muslims than Christians; 70–80 percent animist.

Agriculture: Rubber, rice, oil palm, cassava, coffee, cocoa. Imports of rice, wheat, and live cattle and beef are necessary for basic diet.

Ghana

Background

Independence in 1957 offered unusually bright prospects for Ghana. As Africa's first state to sever colonial ties, Ghana could look forward to a thriving economy based, in part, on its rich mineral resources—gold, diamonds, manganese, and bauxite. Ghana's fertile soil allowed the production for export of valuable hardwoods, such as mahogany, as well as the potential for food self-sufficiency. Ghana's colonial legacy left it with a strong administration infrastructure, well educated and well trained officials, and a relatively high literacy rate.

Ghana's first president, Kwame Nkrumah, embodied Ghana's optimism. An international figure, Nkrumah distinguished himself as an early advocate of pan-African independence and an African form of socialism. At home, Nkrumah attempted to translate theory into practice by building a buoyant, self-reliant state. Nkrumah sought to harness the wealth and manpower of Ghana to construct expensive, showcase infrastructure projects such as the Akosombo Dam and the Valco aluminum smelter. Many of these public works were poorly conceived, consumed substantial sums of dwindling foreign exchange, and yielded negligible revenues.

Faced with growing shortages, Nkrumah sought to employ cocoa revenues to supplement government finances. However, by the mid-1960's world cocoa prices had begun to fall. Economic decline only increased Nkrumah's determination to suppress rising political opposition. At the same time, Nkrumah lost support of the military, particularly after he committed Ghana's army—under British leadership—to the U.N. peacekeeping force in the Congo.

While in Peking in 1966, Nkrumah was overthrown in Ghana's first military coup. The country's brief return to civilian rule in 1969 was followed by a succession of military coups throughout the 1970's. The economy had fallen into a shambles after twenty years of corruption, mismanagement, and declining exports; but popular elections reinstated civilian rule under President Limann in September 1979.

The Limann Government

Though a member of the nonaligned movement, Ghana under the Limann government supported major Western diplomatic initiatives. In 1980, Ghana stood with the United States in condemning the Soviet invasion of Afghanistan and in boycotting the Moscow Olympics. Ghana was one of the few African states to urge publicly that Iran return the American hostages, and to vote against granting observer status to the PLO in the World Bank and the IMF. Most recently, Ghana was among a handful of members of the Organization of Afri-

can Unity to resist the tide of events and speak publicly against the prospect of a 1982 Libyan chairmanship of the OAU. To staff, Ghanaian officials claimed that anything the United States could do for Ghana was directly "in the service of democracy."

After extensive experience with various forms (and degrees) of government, Ghanaians had demonstrated a clear preference for Western democracy. Nkrumah openly endorsed Moscow and called for pan-African revolution; he was replaced by military regimes that were both repressive and corrupt. By 1979, the Soviets had been dismissed and the generals removed from office. Ghanaians opted for the model of Washington rather than Westminster, and inaugurated a new government with separate legislative and executive branches.

A number of Ghanaian legislators traveled to Washington to learn the mechanics of the legislative process. At the time of the staff visit, President Limann and his congress had acquired sufficient experience for the President to survive a legislative defeat on his budget, consult with key legislators, and arrive at a working compromise. For Americans in Ghana, there was much that was vigorous and refreshingly familiar about Ghanaian national politics—until the coup in January 1982.

Developments Since the Recent Coup

The public statements of the coup's leader, former Flight Lieutenant Jerry Rawlings, stressed his 1979 themes of economic bungling and corruption by the previous government. He has named a reportedly left-leaning governing Provisional National Defense Council (PNDC). Although many new cabinet secretaries are reputedly more moderate, they are charged with implementing the Council's policies. Left wing groups in the country have already branded several of them as U.S. and CIA agents. There has been evidence of military indiscipline, including reports and rumors of enlisted men harassing and even imprisoning officers at several bases.

Although as of this writing the status of individual freedom in Ghana under Rawlings and the future direction of the country's foreign policy are still not very clear, there have been several developments worth noting.

The PNDC has suspended the constitution, established "people's tribunals" outside the normal court system to try officials of the Limann government, imposed limitations on press freedom (thought to be even more severe than under Nkrumah), and engaged in intimidation of free trade unions. "People's defense committees" to weed out corruption are to be established in local communities and places of business.

Initial pronouncements from the new government stressed the desire to maintain friendly relations with its neighbors and the intention to pursue a policy of nonalignment. While any Libyan involvement in the coup is debatable, it is clear that since the coup Libya has moved quickly to strengthen its position. On January 10, the PNDC restored full diplomatic relations with Libya. Libyan contributions of 45 tons of food and 20 tons of drugs have been portrayed as just first installments of Libyan aid. A group of 21 Ghanaian officials visiting Libya in February received a warm official welcome. The Ghanaian press reported that the delegation was seeking further cooperation and cor-

dial relations with Libya. There were promises of other types of Libyan aid and there have been some flights of an unspecified purpose into Ghana from Libya.

During the week of January 25th a series of articles and editorials in the government-controlled press alleged American complicity in a plan by Nigeria and Britain to invade the country. Similar stories by Tass appearing outside Ghana have been denied by the State Department spokesman, who attributed them to a Soviet disinformation campaign. On January 28th demonstrators representing several leftist groups protested the alleged invasion plans. The Ministry of Information provided the vehicles and loudspeakers and Rawlings addressed the crowd. Since then the propaganda attacks have emphasized United States and Western efforts to subvert the Rawlings regime and have criticized the exploitative role of multinational corporations.

Nigeria has so far not chosen to apply an oil embargo against Ghana as it did in 1979 in reaction to the executions of former government officials by Rawlings. However, there have been no known executions of government political leaders and party operatives associated with the Limann regime. It is believed that about 65 have been released with another approximately 150 still in detention. So far it appears that future Nigerian sales of oil will depend on whether satisfactory financial arrangements can be worked out.

Little is known about what economic programs and policies the new leadership will pursue. No economic minister has yet been appointed. Rawlings has stated that he intends to improve the cocoa trade and, as mentioned above, he has criticized foreign corporations who have invested in Ghana. There have been reports of government attempts to reduce consumer prices through intimidation of market vendors. There has been no indication of what might be done about the overvalued currency.

Economic Situation

The Ghanaian currency is so overvalued, and basic services and accommodations in such short supply, that the U.S. Ambassador in Accra generously invited staff to accept his hospitality for the duration of the visit.

Ghana's vast resources, both natural and human—the minerals, the rich soil, the valuable hardwoods, the articulate and well educated public servants—have all remained remarkably intact. But the nation which was once to be Africa's success story now has a currency (the cedi) overvalued by from 600–1,000 percent. Such overvaluation has led to artificially low prices for imports and nonremunerative producer prices for exports.[1] Cocoa, the mainstay of the Ghanaian economy, is counted on for 10 percent of GNP and almost 70 percent of export earnings.

Overall, Ghana's gross distortions in official pricing and currency valuation have made its people into a nation of traders and consumers, rather than producers. Moreover, given the negligible real value of

[1] The World Bank reports that by 1979 Ghana's Cocoa Marketing Board had allowed farmer prices for cocoa to increase to a price only six times the 1963 price. By contrast the price index for food and consumer goods rose 22 times. Cocoa prices for the same period rose 36 times in neighboring countries. The Bank also points out that adjusting exchange rates would have resulted in higher producer prices without reducing government revenues. (Accelerated Development in Sub-Saharan Africa: An Agenda for Action, The World Bank, Washington, D.C., 1981).

the cedi, much of Ghana's trade and consumption is carried out on the thriving black market—thereby further diminishing government revenues.

Ghana's other economic indicators are equally bleak: annual triple-digit inflation; a minimal rate of capital formation; shortages of all major commodities and spare parts; widespread breakdowns in public services resulting from low revenues and inefficient administration; a government deficit on the rise by nearly 200 percent per year; a growing oil import bill claiming nearly half of all export earnings; and more than a decade of steady, real decline in per capita gross national product.

U.S. Government figures indicate that from 1970–78, Ghana's overall economic performance was the very worst of any country in the world not involved in a war (and approximately the worst in any event).

In several ways, the Limann government was seeking to halt its economic slide—a slide which, in post-independence Ghana, has often occasioned political chaos. The government had pledged itself to clean up official corruption that siphons off scarce resources. Results were difficult to measure, but indications were that, at best, the President's integrity drive had met with mixed success. The Limann government had adopted a liberalized investment code which, officials hoped, would encourage foreign participation in Ghana's economy. Ghana's mining and hardwood-producing sectors, in particular, needed outside sources of equipment and increased foreign exchange for expansion. At the same time, President Limann had requested approximately $2 billion in international bilateral and multilateral assistance.

Prospects for outside investment and massive doses of foreign assistance will remain remote so long as Ghana is unable to conclude a basic agreement with the International Monetary Fund. Increasingly throughout the Third World—and especially with proven economic troublespots such as Ghana—potential donors and investors look to government compliance with IMF reforms as a precondition for their own further involvement.

At the time of the staff visit, and after more than a year of negotiations, Ghana appeared close to concluding a 1-year standby agreement with the IMF which would provide the government with the equivalent of $270 million. Government officials had recently returned from negotiations with the Fund in Washington and described to staff two remaining obstacles: First, the requirement that Ghana's pricing structure reflect reality, and that the government pass through to consumers the full, rising costs of petroleum; and second, a requirement for devaluation of the Ghanaian cedi by a factor of nearly six times. Limann's government was especially sensitive to devaluation demands, since officials remained convinced that a similar, sudden devaluation had led to the overthrow of Ghana's last civilian government in 1971.

Subsequent to the staff visit, negotiations between Ghana and the Fund failed to resolve outstanding issues. At one point, there were discussions regarding possible assistance from the IMF Compensatory Financing Facility, but ultimately Ghana could not meet the criteria, including proving the existence of an export shortfall. The government finally trebled cocoa producer prices in mid-October 1981, but no other supporting financial measures necessary for IMF assistance were taken. The search for a way to qualify for IMF assistance continued, but by the time of the coup there had been no resolution.

Conclusions

Political factors, as well as economic potential, made Ghana under Limann an attractive focus for the United States. It was clear, however, that energetic political debate could not long remain the order of the day in a country where the basic economic facts are so universally bleak. Outside assistance was clearly necessary for Ghana's new and fragile political system to survive—and it will be equally necessary for any successor government. Yet, it is difficult to know where such assistance can begin to be effective.

U.S. development assistance to Ghana totaled approximately $10 million in 1980. Such assistance had decreased by half in fiscal year 1981. Ghana's continued poor economic performance had spurred the International Development Cooperation Agency to recommend Ghana's removal from the list of recipients of bilateral U.S. aid. (This recommendation was subsequently overruled by the Department of State.)

U.S. assistance to Ghana has focused mainly on developing a model program of integrated small-farmer production and marketing. This program for Ghana has prompted Agency for International Development officials in Washington to send out more than 70 pages of instructions for field personnel to use in preparing their 60-page Country Development Strategy Statement.

Yet the rationale for such a program is difficult to find in Ghana, where it is by no means clear that small-farmer production is the mode of the future. At least in the short run, sufficient jobs in the urban areas yield greater remuneration than small-scale farming. Under current circumstances, rural small farms hold no attraction for young urban workers. Bad roads, an erratic official marketing system, and a limited urban market all combine to make small-scale production singularly unattractive in Ghana. Moreover, those at the bottom of the official economy are frustrated by the distortions at the top; grossly overvalued currency, discouragingly low producer prices, and an increasing share of trade on the black market.

In the field, AID officials were well aware of the limits of the current U.S. development efforts in Ghana. At one point, these officials proposed a $20 million fiscal year 1982 development program for Ghana to allow quick disbursing import loans, which could also provide the raw materials to encourage market production. The modest size of this proposed program would call its effective potential into question. U.S. officials could maximize the benefits of a commodity import program by encouraging Ghana to deregulate producer prices. But resistance to this policy change was already a problem in negotiations for an IMF Compensatory Financing Facility.

In any event, without an IMF agreement, AID will have difficulty justifying any new initiatives for Ghana, as even the smallest amount of aid will be difficult to defend. While such an agreement is hardly a panacea, IMF reforms for Ghana have become the universally recognized first step on the road back to economic productivity.

U.S. officials enjoyed good access throughout the Limann government and used it to press for an accommodation with the IMF. Ironically, the fear of internal upheaval and even a possible coup was the major factor contributing to the Limann government's reticence. Its successors face the same hard economic realities and confront the

same compelling choices. To the extent possible, we should continue to urge the new government to attend to the economy and the need for IMF reforms.

Given the low level of U.S. assistance, we should evaluate carefully what kind of leverage we have and the ways in which that leverage can be most effectively applied. It would appear that an important contribution by the United States would be to provide incentives for undertaking economic reforms. The impact would probably be maximized if the incentives are offered in connection with an IMF agreement. Further, it would also be helpful to coordinate these promises of support as much as possible with those of other donor countries.

To increase U.S. leverage, the State Department and AID could be prepared to offer a conditional package of proposed assistance for Ghana. In the form of balance-of-payments support or commodity import loans, such proposed assistance could be modest and still make the essential point that the benefits of an IMF agreement can make the immediate political risks more palatable.

Further, the need will continue for Title I and Title II Public Law 480 food relief for Ghana, which in fiscal year 1981 totaled about $20 million. With temporary shortages all the more likely if an IMF agreement is reached, such food aid could make a critical difference for Ghanaians' welfare—and for their country's stability.

General Implications for Development in Africa

A study of economic conditions in Ghana highlights a combination of problems specific to that country, but also touches on problems typical of many African countries.

Though the 50 countries of sub-Saharan Africa vary widely in size, population, topography, and resources, one is still justified in making the general assertion that the magnitude and severity of the problems on the African continent are unparalleled in the developing world. Many of the problems are self-inflicted, others are caused by natural forces—some beyond control and others which could be checked, given the means. A few examples:

The economic woes of many of these countries are due in good part to post-independence policies which have been long on nationalism but short on good economic sense. We have already mentioned, for instance, the policies of Ghana's Nkrumah. Even pro-Western Leopold Senghor, political and spiritual leader of Senegal for over 20 years, explicitly placed higher priority on the promotion of black consciousness and French influence than on economic development.

Wealth in minerals or other natural resources has not necessarily led to economic health. In mineral-rich Zaire, for example, plummeting copper prices shattered the foundation of an overly-ambitious economic expansion plan and the country faces severe economic problems today. Ivory Coast, with a Western-model economy and often cited as a rare African success story, has recently experienced economic problems because of falling cocoa prices. Ghana, discussed previously, is rich in minerals and hardwoods and has great agricultural potential, but has an economy on the brink of collapse. Liberia, on the other hand, with fewer natural assets, is at least holding its head above water.

In many countries, pre-independence infrastructure (roads, railways, etc.) has been allowed to deteriorate and relatively few improvements have been made.

Agricultural production has been declining relative to population growth. Zaire, for example, once virtually self-sufficient in food, is now a food importer.

Declining exports have led to serious balance of payments problems. On top of this, escalating oil bills have ravaged already ailing economies.

Deforestation is a serious and growing problem in countries where wood is the primary fuel source. If Senegal, for instance, continues to consume wood supplies at current rates, that country will be without trees by the end of this century. Aggressive tree-farming projects have been initiated, but insufficient rainfall in this Sahelian country can seriously retard progress.

In almost all countries, diseases unknown here are common. Water purification in rural areas is rare, and a child who may be relatively well fed and breathe cleaner air than we do here can die at an early age from a disease caused by water-bred parasites.

Almost all the countries lack a mass of educated people, meaning a severe deficiency in skilled labor and management expertise.

For U.S. policymakers and planners, it would be appropriate to consider the following:

—Even for a major donor of foreign assistance such as the United States, the enormity of the problems in African countries suggests a lowering of expectations about what we will be able to accomplish—though it doesn't make the task any less worthwhile—and an increased emphasis on preventing erosion of progress which has been made.

—It may be unrealistic to expect significant results from a development program in Africa of the duration usually considered in other regions to be sufficient to effect a lasting impact.

—The price to the host government of U.S. aid projects is often very dear, and the projects can run into trouble because the recipient government cannot afford the counterpart funds. Moreover, there appears to be a great need for increased assistance even to make current development initiatives effective. This could be in the form of direct balance of payments support or a commodity import program for spare parts (whose shortage in Africa is chronic and serious), or maintenance of infrastructure projects such as roads, or other purposes.

—On the other hand, the obvious consequences of such a shift in emphasis must be seriously considered. Given limited U.S. resources and this Administration's emphasis on security assistance, this approach will involve inevitable trade-offs in development assistance and programs designed to meet "basic human needs."

—Even though more and more African countries face severe economic problems, unless counterproductive government policies and financial practices are reformed, no amount of aid can turn things around. This means painful adjustments for the recipient countries. The stringent belt-tightening requirements imposed on a government which receives IMF assistance have long been criticized, but it is significant that other sources of assistance such as the World Bank have been moving in the direction of favoring policy reforms.

—One helpful development is that some of the newest generation of African leaders appear more aware of the need for reforms and are not only more willing but better equipped to carry them out than their predecessors. This is true, for example, in Senegal where a pragmatic technocrat, Abdou Diouf, has succeeded the philosopher Leopold Senghor.

—The domestic impact of reforms—such as sudden and drastic price increases for basic food commodities—cannot be underestimated. Recent history provides examples such as riots in Sudan following a major currency devaluation to support the fears held by many governmental leaders that domestic upheavals and even government overthrows will result if severe economic measures are undertaken.

—The trend toward linking aid to reforms, therefore, would seem to place a special responsibility on donor countries—that of providing assistance with the aim of easing the impact of the reform measures being undertaken by the recipient countries. Furthermore, friendly donors should attempt to speak with one voice in urging reforms. Food aid will be one crucially important tool. Others include quick-disbursing loans for such purposes as direct balance of payments support or commodity imports. Here again, coordination among donors as to the kinds of aid offered is a desirable goal.

—Though private-sector involvement as suggested by President Reagan at the Cancun Summit is certainly welcomed in Africa, currently most African countries lack the infrastructure—both human and capital—necessary to attract foreign investment. For this, it appears official assistance will continue to be needed. Furthermore, the high cost of expatriate personnel in Africa suggests the need for greater attention to finding ways to develop and perpetuate indigenous expertise.

—From a development perspective, private investment in Africa in the short and medium terms will proably not yield impressive returns. Some investors believe that investment should be undertaken with a view toward the long term. Several private commercial banks, for example, have investments which currently bear very low yields, but which allow them to exhibit some social responsibility—and be firmly entrenched if and when more prosperous times occur.

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